



Arnold Schwarzenegger
Governor

September 10, 2010
22M: 383:JP: 9131:9132

Mr. Ron Crossley, Executive Director
Southeast Los Angeles County
Workforce Investment Board
10900 E. 183rd Street, Suite 350
Cerritos, CA 90703

Dear Mr. Crossley:

WORKFORCE INVESTMENT ACT
FISCAL AND PROCUREMENT REVIEW
FINAL MONITORING REPORT
PROGRAM YEAR 2008-09

This is to inform you of the results of our review for Program Year (PY) 2008-09 of the Southeast Los Angeles County Workforce Investment Board's (SELACO) Workforce Investment Act (WIA) grant financial management and procurement systems. This review was conducted from June 1, 2009, through June 5, 2009. For the fiscal portion of the review, we focused on the following areas: fiscal policies and procedures, accounting system, reporting, program income, expenditures, internal control, allowable costs, cash management, cost allocation, indirect costs, cost/resource sharing, fiscal monitoring of subrecipients, single audit and audit resolution policies and procedures for its subrecipients, and written internal management procedures. For the procurement portion of the review, we examined procurement policies and procedures, methods of procurement, procurement competition and selection of service providers, cost and price analyses, contract terms and agreements, and property management.

Our review was conducted under the authority of Section 667.410(b)(1), (2) & (3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by SELACO with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding financial management and procurement for PY 2008-09.

We collected the information for this report through interviews with representatives of SELACO, a review of applicable policies and procedures, and a review of documentation retained by SELACO for a sample of expenditures and procurements for PY 2008-09.

We received your response to our draft report on August 19, 2009, and reviewed your comments and documentation before finalizing this report. Your response adequately addressed finding 3 cited in the draft report and no further action is required at this time.

Your response adequately addressed finding 1 cited in the draft report however, this issue will remain open until we receive documentation of your stated corrective action. Until then, this finding is assigned Corrective Action Tracking System (CATS) number 90179.

Your response did not adequately address finding 2 cited in the draft report and we consider this finding unresolved. We request that SELACO provide the Compliance Review Office with additional documentation to resolve the issues that led to the finding. Therefore, this finding remains open and has been assigned CATS number 90180.

BACKGROUND

The SELACO was awarded WIA funds to administer a comprehensive workforce investment system by way of streamlining services through the One-Stop delivery system. For PY 2008-09, SELACO was allocated: \$789,795 to serve 376 adult participants; \$803,574 to serve 173 youth participants; and \$1,100,084 to serve 211 dislocated worker participants.

For the quarter ending March 31, 2009, SELACO reported the following expenditures and enrollments for its WIA programs: \$761,855 to serve 386 adult participants; \$392,657 to serve 142 youth participants; and \$371,286 to serve 128 dislocated worker participants.

FISCAL REVIEW RESULTS

While we concluded that, overall, SELACO is meeting applicable WIA requirements concerning financial management, we noted an instance of noncompliance in the area of cost/resource sharing at the one-stop. The finding that we identified in this area, our recommendation, and SELACO's proposed resolution of the finding are specified below.

FINDING 1

Requirement: 20 CFR Section 662.270 states, in part, that each partner of the One-Stop delivery system (One-Stop Center) must contribute a fair share of the operating costs, which is proportionate to the use of services at the One-Stop Center by individuals attributable to

the partner's program. The particular funding arrangements for services and operating costs of the One-Stop delivery system must be described in a Memorandum of Understanding (MOU) or other documented agreement.

Observation:

We observed that SELACO does not have a Resource-Sharing Agreement (RSA) with two of its One-Stop partners at the Cerritos One-Stop Center, the Employment Development Department (EDD) and Work Training Programs. The SELACO continues to pay for all operating costs related to its One-Stop delivery system through its WIA grant funds. We noted similar findings during our PYs 2002-03, 2003-04, 2004-05, 2005-06, and 2006-07 fiscal and procurement monitoring reviews.

Recommendation:

We recommended that SELACO provide the Compliance Review Office (CRO) with a corrective action plan (CAP), including timelines, for the development and implementation of an RSA with its co-located partners at the Cerritos One-Stop Center.

SELACO Response:

The SELACO stated that they are updating agency information and are in the process of developing RSAs with EDD and PathPoint (Work Training Programs). In a subsequent phone conversation on June 16, 2010, staff at SELACO gave an update on the status of these RSAs and stated they expect these to be in place by July 31, 2010. However, as of the date of this report, these documents were not submitted to CRO.

State Conclusion:

The SELACO stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we receive documentation of SELACO's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 90179.

PROCUREMENT REVIEW RESULTS

While we concluded that, overall, SELACO is meeting applicable WIA requirements concerning procurement, we noted instances of noncompliance in the areas of procurement of youth services and small purchases. The findings that we identified in these areas, our recommendations, and SELACO's proposed resolution of the findings are specified below.

FINDING 2

Requirement:

WIA 123 states, in part, that the local board shall identify eligible providers of youth activities by awarding grants or contracts on a competitive basis.

20 CFR 664.405(a)(4) states, in part, that the requirement in WIA 123 does not apply to the program design framework components, such as services for intake, objective assessment, and the development of an individual service strategy, when these services are provided by the local grant recipient.

29 CFR 95.43 states, in part, that all procurement transactions shall be conducted in a manner that provides open and free competition.

Training and Employment Guidance Letter (TEGL) 9-00 states, in part, that all local workforce investment areas will competitively select youth service providers.

Observation:

We observed that SELACO provides youth services without procuring these services on a competitive basis. Specifically, SELACO provides youth services for older, out-of-school youth, without any consideration of awarding a grant or a contract on a competitive basis. These youth services extend beyond providing the program design framework components as described above.

Recommendation:

We recommended that SELACO provide CRO with a CAP, including a timeline, to demonstrate how it will award WIA grants to youth service providers, for both in-school and out-of-school youth, on an open and free competitive basis avoiding even the appearance of a conflict of interest (either individually or organizationally).

SELACO Response: The SELACO stated that because they are not required to retain records indefinitely, the only finding that can be supported is that they have not done a competitive procurement for the out-of-school youth program during the period when they were required to retain records.

SELACO also stated that they have, in fact, identified youth providers by awarding contracts on a competitive basis by procuring youth providers for their in-school program thus complying with the language of WIA 123.

State Conclusion: Based on SELACO's response, we cannot resolve this issue at this time. We agree that SELACO awarded WIA grants to youth service providers for in-school youth on a competitive basis. However, SELACO has not substantiated that an RFP process ever occurred for providing youth services to out-of-school youth. In addition, SELACO has not provided a contract for providing out-of-school youth services with Community Youth Corps (CYC). Yet funding amounts have been set aside from its WIA 301 and 302 formula funds for CYC.

We recommend that SELACO provide CRO with a CAP, including a timeline, to demonstrate how it will award WIA grants to youth service providers for out-of-school youth on an open and free competitive basis avoiding even the appearance of a conflict of interest (either individually or organizationally). Until then, this issue remains open and has been assigned CATS number 90180.

FINDING 3

Requirement:

29 CFR 95.43 states, in part, that all procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition. The U.S Department of Labor's One-Stop Comprehensive Financial Management Technical Assistance Guide (TAG), July 2002, states, in part, that if small purchase procedures are used, price or rate comparisons from an adequate number of qualified sources must be obtained.

29 CFR 95.45 states, in part, that some form of cost or price analysis shall be made and documented in the procurement files in connection with every procurement action.

29 CFR 95.44 states, in part, that all recipients shall establish written procurement procedures.

The SELACO's Procurement of Services Policy (revision date July 27, 2005) requires more than one quote when making any small purchase. Specifically, this policy requires that small purchases made from vendors ranging from \$0 to \$999 will have two documented quotes (sales receipt, documented verbal quote, or catalog listing) and those purchases ranging from \$1,000 to \$50,000 will have three documented quotes (documented verbal

quote, written price quote, current catalog price listing, and signed as applicable).

Observation: During our review, we found an instance where the cost or price analysis was not conducted. Specifically, an HP LaserJet M1522n Multifunction Printer was purchased from Staples on August 1, 2008, in the amount of \$432.98

The SELACO did not follow its procurement policy in purchasing the item above.

Recommendation: We recommended that SELACO obtain more than one price quote when making any small purchase.

In addition, we recommended that SELACO provide CRO with a CAP, including a timeline, to demonstrate how it will, in the future, maintain documentation to substantiate that multiple price quotes are conducted prior to obtaining goods and services using small purchase procedures.

SELACO Response: The SELACO stated that they accept the State's recommendation and will remind staff to maintain documentation of cost analysis and number of required price quotes in line with its current procurement procedures.

During our PY 2009-10 Fiscal and Procurement on-site review, conducted June 28, 2010, we reviewed computer supplies, office supplies, and purchases for incentives for youth participants and found that all of these small purchases contained an adequate number of quotes.

State Conclusion: Based on SELACO's response, we consider this issue resolved.

We provide you up to 20 working days after receipt of this report to submit to the Compliance Review Office your response to this report. Because we faxed a copy of this report to your office on the date indicated above, we request your response no later than October 8, 2010. Please submit your response to the following address:

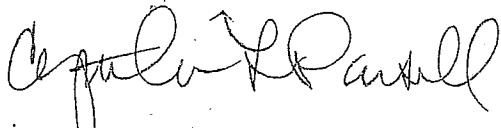
Compliance Monitoring Section
Compliance Review Office
722 Capitol Mall, MIC 22M
P.O. Box 826880
Sacramento, CA 94280-0001

In addition to mailing your response, you may also FAX it to the Compliance Monitoring Section at (916) 654-6096.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. It is SELACO's responsibility to ensure that its systems, programs, and related activities comply with the WIA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain SELACO's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Mrs. Jennifer Shane at (916) 654-1292.

Sincerely,



for JESSIE MAR, Chief
Compliance Monitoring Section
Compliance Review Office

cc: Jose Luis Marquez, MIC 50
Daniel Patterson, MIC 45
Georganne Pintar, MIC 50
Gilbert Von Studnitz, MIC 50